

Message Text

PAGE 01 NATO 05564 01 OF 02 200306Z

72

ACTION EUR-25

INFO OCT-01 ISO-00 EB-11 COME-00 FRB-02 TRSE-00 NIC-01

AGR-20 CIAE-00 PM-07 INR-10 L-03 NEA-10 NSAE-00 PA-04

RSC-01 PRS-01 SPC-03 USIA-15 SAJ-01 DODE-00 DRC-01

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TO SECSTATE WASHDC 2742

C O N F I D E N T I A L SECTION 1 OF 2 USNATO 5564

E.O. 11652: GDS, 12/31/79

TAGS: ECON, NATO

SUBJECT: ECONOMIC COMMITTEE MEETING NOVEMBER 23

REF: USNATO 5532

1. ECONOMIC COMMITTEE MEETING ORIGINALLY SCHEDULED FOR NOVEMBER 22 NOW POSTPONED UNTIL NOVEMBER 23.

2. IN ADDITION TO ACTION REQUESTED REFTEL, MISSION WOULD APPRECIATE FOR NOVEMBER 23 MEETING WASHINGTON COMMENTS IF ANY ON REPORT ON THE ECONOMY OF HUNGARY (AC/127-WP/369) WHICH WE ASSUME HAS NOW REACHED WASHINGTON.

3. WE WOULD ALSO APPRECIATE WASHINGTON COMMENTS ON DOCUMENT ED/EC/73/110 (EXAMINATION OF THE ECONOMIC EVOLUTION OF THE COMMUNIST COUNTRIES), THE TEXT OF WHICH FOLLOWS IN THIS CABLE. THE LATTER DOCUMENT NOTES THE SMALL NUMBER OF EXPERTS ATTENDING THE LAST FIVE COUNTRY EXAMINATIONS. QUESTIONS OF IMPORTANCE RAISED BY DOCUMENT ARE: 1) WHETHER THE COMMITTEE COULD PREPARE EACH REPORT IN TWO VERSIONS, ON CLASSIFIED, THE OTHER UNCLASSIFIED FOR WIDER USE; AND 2) WHETHER IT WOULD BE HELPFUL FOR THE COMMITTEE TO GROUP TOGETHER THE EXAMINATIONS OF EASTERN EUROPEAN COUNTRIES IN ORDER TO FACILITATE MAXIMUM ATTENDANCE BY CONFIDENTIAL

PAGE 02 NATO 05564 01 OF 02 200306Z

EXPERTS, WITH SEPARATE EXAMINATIONS OF THE SOVIET AND CHINESE ECONOMIES. THE MISSION SEES CONSIDERABLE MERIT IN THESE SUGGESTIONS, AND WOULD PROPOSE U.S. CONCURRENCE.

4. ACTION REQUESTED: WASHINGTON COMMENTS ON AC/127-WP/369
AND ED/EC/73/110 IN TIME FOR ECONADS' MEETING NOVEMBER 23.

5. BEGIN TEXT:

EXAMINATION OF THE CONOMIC EVOLUTION OF THE COMMUNIST
COUNTRIES

THE IMPRESSION GIVEN BY THE LATEST MEETINGS OF THE
ECONOMIC COMMITTEE FOLLOWING THE EXAMINATION OF THE ECONOMIC
DEVELOPMENT OF THE EAST EUROPEAN COUNTRIES IS THAT THERE IS A
GRADUAL LACK OF INTEREST BY THE ECONOMIC COMMITTEE FOR THIS TYPE
OF EXERCISE. THIS LACK OF INTEREST IS SHOWN CLEARLY BY THE
LIMITED PARTICIPATION OF EXPERTS AND MEMBERS TO THESE MEETINGS:

-GDR (5TH APRIL, 1973) (AC/127-R/393)
REPORTING COUNTRY: GERMANY
EXPERTS PRESENT: 3 GERMANS (10 COUNTRIES REPRESENTED);

-POLAD (24TH MAY, 1973) (AC/127-R/397)
REPORTING COUNTRY: FRANCE
EXPERTS PRESENT: 1 FRENCH, 1 BRITISH (8 COUNTRIES
REPRESENTED);

- SOVIET UNION (7TH JUNE, 1973) (AC/127-R/399)
REPORTING COUNTRY: UNITED STATES
-ECONOMIC AFFAIRS DIRECTORATE
EXPERTS PRESENT: 1 FRENCH, 1 BRITISH (10 COUNTRIES
REPRESENTED);

- HUNGARY (11TH OCTOBER , 1973) (AC/127-R/410)
REPORTING COUNTRY: UNITED KINGDOM
EXPERTS PRESENT: 2 BRITISH, 2 FRENCH:

- BULGARIA (12TH OCTOBER, 1973) (AC/127-R/410)
REPORTING COUNTRY: GERMANY
EXPERTS PRESENT: 1 GERMAN, 1 FRENCH, 2 BRITISH
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PAGE 03 NATO 05564 01 OF 02 200306Z

(12 COUNTRIES WERE REPRESENTED AT ONE TIME OR ANOTHER
DURING THESE TWO MEETINGS).

2. THE FIRST QUESTION WHICH THEREFORE ARISES IS TO ACCERTAIN
WHETHER NATIONAL CAPITALS STILL FEEL IT USEFUL TO CONTINUE
TO CARRY ON WITH THESE STUDIES.

INTEREST OF THESE STUDIES

3. THE FINAL REPORT EMERGING FROM THESE MEETINGS IS
FORWARDED TO THE COUNCIL FOR ITS INFORMATION ONLY. AS THE
ECONOMIC EVOLUTION OF A COUNTRY CAN ONLY BE ASSESSED OVER A
RELATIVELY LONG PERIOD, WHILE SHOWING FUNDAMENTAL TRENDS AND PROGRESS

ACHIEVED, THE RESULT OF THE STUDIES
SENT TO THE COUNCIL IS SELDOM OR NOT AT ALL TOPICAL.

4. THE PROBLEM OF THE DE-CLASSIFICATION AND OF THE USE OF
THESE DOCUMENTS HAS BEEN RAISED ON MANY OCCASIONS BUT THERE HAS
NEVER BEEN ANY FINAL SOLUTION TO IT. IT WOULD SEEM THAT IN
EACH CASE IT WOULD BE CONVENIENT TO ESTABLISH TWO VERSIONS; THE
FIRST INCORPORATING CLASSIFIED INFORMATION AND DESTINED TO THE
COUNCIL AND THE THE SPECIALISED EXPERTS IN THE VARIOUS CAPITALS;
THE SECOND, DE-CLASSIFIED, COULD HAVE A MORE GENERAL UTILISA-
TION. SUCH STUDIES ARE NOT UNDERTAKEN ANYWHERE ELSE EXCEPT
TO A CERTAIN EXTENT IN THE EEC GENEVA, WHERE HOWEVER THE PRESENCE
OF THE COMMUNIST COUNTRIES MAKES IT IMPOSSIBLE TO ASSESS
OBJECTIVELY THE OFFICIAL INFORMATION PROVIDED BY THESE COUNTRIES.

5. THE NATO STUDIES MAKE IT POSSIBLE:

(A) TO ELABORATE A CRITICAL ANALYSIS OF THE RESULTS GIVEN
BY THE EASTERN COUNTRIES;

(B) TO FORM AS OBJECTIVE AN IDEA AS POSSIBLE OF THE ACTUAL
ECONOMIC DEVELOPMENTS OF THESE COUNTRIES WHICH SUPPORT
THEIR MILITARY CAPABILITY AND OF THE SOCIAL EVOLUTION
WHICH IS TAKING PLACE THERE;

(C) TO OBTAIN AN EVALUATION BY THE 15 MEMBERS OF THE ALLIANCE
OF THESE DEVELOPMENTS ON A UNIFORM AND AGREED BASIS.

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PAGE 01 NATO 05564 02 OF 02 201550Z

44

ACTION EUR-25

INFO OCT-01 ISO-00 EB-11 COME-00 FRB-02 TRSE-00 NIC-01

AGR-20 CIAE-00 PM-07 INR-10 L-03 NEA-10 NSAE-00 PA-04

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R 191710Z NOV 73

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C O N F I D E N T I A L SECTION 2 OF 2 USNATO 5564

6. IT WOULD APPEAR THAT THE SPECIALISED EXPERTS IN T E
CAPITALS ARE INTERESTED IN OBTAINING RELATIVELY DETAILED ANALY-
SES FOR INTERNAL USE WHICH COULD COMPLEMENT THE ECONOMIC
INFORMATION GIVEN BY WESTERN AMBASSADORS ON THE SPOT OR HELP

THEM TO BRIEF THOSE WHO WILL HAVE TO TAKE UP THEIR NEW APPOINTMENT IN THESE COUNTRIES.

PROPOSAL TO PUT NEW LIFE IN THESE ACTIVITIES WITHIN NATO

A. REVITALISATION OF THE ECONOMIC SUB-COMMITTEE (AC/89)

7. STUDIES CARRIED OUT IN THE PAST TOOK PLACE WITHIN THE SUB-COMMITTEE WHICH THEN REPORTED TO THE ECONOMIC COMMITTEE, AND THE LATTER IN TURN FORWARDED THE RESULTS TO THE COUNCIL. THIS PROCEDURE WAS PROGRESSIVELY GIVEN UP AND THE WHOLE CYCLE OF ACTIVITIES TOOK PLACE WITHIN THE ECONOMIC COMMITTEE.

8. IF CERTAIN MEMBERS JUDGE THAT THIS TYPE OF STUDY CLUTTERS THE AGENDA OF THE COMMITTEE WHICH SHOULD BE MORE PRE-OCCUPIED WITH IMPORTANT COPICAL ECONOMIC PROBLEMS (PETROLEUM, FOLLOW-UP TO THE CSCE, WEST-WEST RELATIONS...) THE SUB-COMMITTEE MIGHT BE REQUESTED TO DISCUSS ONCE AGAIN THESE MATTERS ON THE BASIS OF THE OLD PROCEDURE.

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PAGE 02 NATO 05564 02 OF 02 201550Z

B. PARTICIPATION OF EXPERTS

9. EVERY TIME THE EXAMINATION OF THE ECONOMY OF AN EASTERN COUNTRY TOOK PLACE WITH THE PARTICIPATION OF AN EXPERT FROM A WESTERN EMBASSY ESTABLISHED IN THAT EASTERN COUNTRY, THE DEBATE PROVED IN ALL RESPECTS MORE FRUITFUL AND INTERESTING. IT MIGHT BE PERHAPS OPPORTUNE TO ENCOURAGE DELEGATIONS TO SEND SUCH EXPERTS TO OUT MEETINGS.

10. IF THE SETTING UP OF SUCH SESSIONS UNDER THE AEGIS OF THE SUB-COMMITTEE COULD DISCOURAGE THE TYPE OF EXPERTS WE WOULD WISH TO SEE ATTENDING SUCH SESSIONS, THE MEETINGS MIGHT BE CALLED TOGETHER AS "GROUPS OF CONSULTANTS MEETING ON AN AD HOC BASIS".

C. JOINING SPECIAL MEETINGS WITH EXPERTS

11. THE RECENTLY ATTEMPTED EXPERIENCE (JOINT EXAMINATION OF HUNGARY AND BULGARIA) WITHOUT BEING NECESSARILY CONCLUSIVE MIGHT HOWEVER INDICATE HOW TO ENSURE THE PARTICIPATION OF A SUFFICIENT NUMBER OF EXPERTS IN ORDER TO HAVE A USEFUL EXCHANGE OF VIEWS. DURING MEETINGS TAKING PLACE OVER SEVERAL CONSECUTIVE DAYS THE ECONOMIES OF MANY COUNTRIES COULD BE REVIEWED WITH THE HELP OF THE EXPERTS WHO MIGHT HAVE BEEN THE WRITERS, OR PARTICIPATED IN THE ELABORATION, OF THE REPORTS CONCERNING THESE COUNTRIES. THIS SYSTEM WOULD GIVE THE POSSIBILITY TO THE EXPERT SPECIALISING IN ONE COUNTRY ONLY TO COMPARE EXPERIENCES, TO OBTAIN, IF NEEDS BE, A CERTAIN AMOUNT OF CLARIFICATION AND TO DRAW A NUMBER OF CONCLUSIONS.

12. SUCH A FORMULA MIGHT APPLY TO THE XSIX EAST EUROPEAN

COUNTRIES AND TO YUGOSLAVIA. THE SOVIET UNION AND CHINA, HOWEVER, WOULD BE CONSIDERED SEPARATELY AS THEY DESERVE SPECIAL TREATMENT. IN THIS CONNECTION THE FOLLOWING APPROACH COULD BE SUGGESTED:

(I) SOVIET UNION

13. THE IMPORTANCE OF THE SUBJECT JUSTIFIES A YEARLY EXAMINATION. THE FINAL REPORT MIGHT ATTEMPT TO CAST MORE LIGHT ON THE MOST RECENT TRENDS AND NOT TO LAY TOO MUCH EMPHASIS ON DETAILED FUNDAMENTAL ECONOMIC DATA, THE EVALUATION OF WHICH
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PAGE 03 NATO 05564 02 OF 02 201550Z

TAKES MUCH LONGER AND DOES NOT THEREFORE CORRESPOND TO THE NOTION OF PERIODIC REPORTS.

14. THE PARTICIPATION OF UNITED STATES EXPERTS WOULD SEEM TO BE INDISPENSIBEL FOR A SATISFACTORY CARRY-OUT OF THIS EXERCISE. IN THE PAST THE INTRODUCTORY REPORT HAD BEEN PREPARED BY THE UNITED STATES DELEGATION, BUT THIS PROCEDURE WAS NOT FOLLOWED WHEN THE LAST EXAMINATION OF THE SOVIET ECONOMY TOOK PLACE, AND THUS THE ECONOMIC DIRECTORATE HAD TO PREPARE THE BASIC STUDY USING THE INFORMATION AVAILABLE TO IT.

(II) OTHER EAST EUROPEAN COUNTRIES

15. THE EXAMINATION OF THREE COUNTRIES (FOR INSZANCE, GDR, POLAND AND CZECHOSLOVAKIA) MIGHT BE GROUPED TOGETHER DURING ONE MEETING ONCE A YEAR WHICH WOULD LAST THREE DAYS. THE OTHER COUNTRIES (RUMANIA, BULGARIA, YUGOSLAVIA, ALBANIA) MIGHT BE EXAMINED JOINTLY ABOUT SIX MONTHS LATER.

16. THESE EXAMINATIONS SHOULD TAKE PLACE AS USUAL ON THE BASIS OF REPORTS PREPARED BY THE COUNTRIES ACTING AS "RAPPORTEURS". THE EXPERTS WOULD PARTICIPATE IN THE DISCUSSIONS, NOT ONLY OF THEIR OWN REPORTS BUT EQUALLY OF THOSE PRESENTED BY OTHER DELEGATIONS.

(III) CHINA

17. THE SPECIAL CHARACTER AND THE IMPORTANCE OF THE SUBJECT JUSTIFIES A SPECIAL MEETING. THIS MAY NOT TAKE PLACE AS OFTEN AS IN THE CASE OF THE SOVIET UNION AND ONE COULD AIM AT EXAMINING ON AN AVERAGE, THE CHAINESE ECONOMY ONCE EVERY 18 MONTHS. SHOULD HOWEVER CIRCUMSTANCES JUSTIFY IT, THIS MIGHT TAKE PLACE AT SHORTER INTERVALS.

(IV) CUBA

18. CIRCUMSTANCES MIGHT OCCASIONALLY JUSTIFY AN EXAMINATION OF THE CUBAN ECONOMY. INTERVALS BETWEEN REPORTS ON THIS COUNTRY MIGHT BE OF BETWEEN 2 TO 3 YEARS.

19. ALL THESE SUGGESTIONS DO NOT IN ANY WAY DETRACT FROM THE
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PAGE 04 NATO 05564 02 OF 02 201550Z

INTEREST OF SPECIFIC SUBJECT RELATING TO CERTAIN SECTORS OF
THE ECONOMY OR ONE OR SEVERAL EAST EUROPEAN COUNTRIES AS LISTED
IN DOCUMENT ED/EC/73/99 (AGRICULTURE-COMECON-BALANCE OF PAYMENTS-
PLANNING TECHNIQUES-TECHNOLOGY-THE LOT OF THE CONSUMER).
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